# GOVERNMENT OF INDIA
# CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
# LOK SABHA

UNSTARRED QUESTION NO:3129
ANSWERED ON:08.12.2000
ECONOMIC COST
V.S. SIVAKUMAR

**Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:**

(a) whether the Government are aware that the gap between the economic cost incurred by the Food Corporation of India towards procurement, storage distribution and wastage of foodgrains and its average realisation based on the issue price under Public Distribution System has been widening over the years; and

(b) if so, the measures taken by the Government to reduce this gap?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION ( SHRI CHAUHAN )

a) The gap had been widening only in respect of foodgrains meant for BPL since 1.6.1997, but has reduced subsequently with the revision of Central Issue Price (CIP) on 01.04.2000 and 25.07.2000 respectively.

(b) Major part of the economic cost of the foodgrains of FCI is beyond its control being the cost of naked grain and statutory charges levied by the State Governments. Economic cost can thus be reduced only to the extent FCI is able to contain/reduce its controllable charges, which is essentially the handling cost. For this, the FCI has, inter-alia, been taking following important steps:-

(i) Achieving average capacity utilization of 75% to reduce storage cost even though the procurement of grains is seasonal.

(ii) Adhering to the procurement and movement ratio norms of 1:1.35 as fixed by the Government of India to reduce the expenditure on freight.

(iii) Making continuous efforts to reduce shortages in handling of foodgrains.

(iv) Making efforts to reduce the incurrence of Railway demurrage charges.

(v) Issuing of old stocks, disposing of C & D category of stocks and introducing direct supervision on movement of foodgrains to control the incidence of transit and storage shortages.

(vi) Machine sitching of gunnies and handling of foodgrains in 50 kg bags to reduce the storage and transit loss.